# Making a Difference

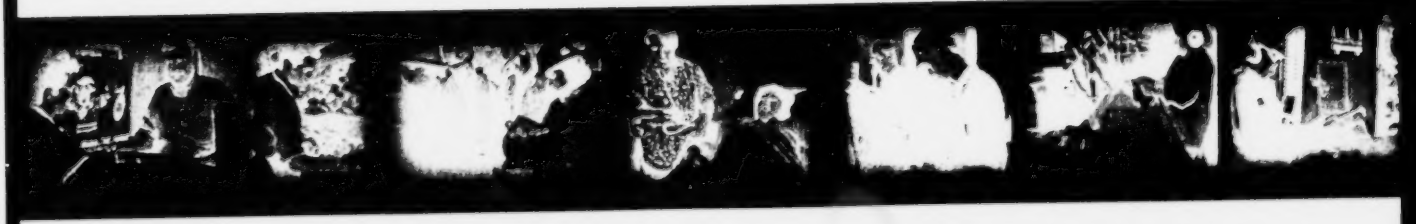
Workplace Health, Safety and Compensation Commission

# 2003
## Annual Report

WORKPLACE HEALTH, SAFETY & COMPENSATION COMMISSION
WHSCC
*Newfoundland and Labrador*

# Table of Contents


| | |
|---|---|
| 3 | Report of the Chairperson and Chief Executive Officer |
| 6 | Board of Directors |
| 8 | Mission, Vision and Values |
| 9 | Balanced Scorecard Report |
| 27 | Financial Statements |
| 45 | Five-Year History |
| 46 | Organizational Chart |
| 47 | Year at a Glance |

# Letter to the Minister

May 10, 2004

The Honourable Joan Burke
Minister of Human Resources, Labour and Employment

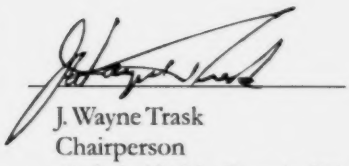
Dear Minister Burke:

In compliance with Section 12(1) of the *Workplace Health, Safety and Compensation Act*, I am pleased to submit the Annual Report of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador for the year ended December 31, 2003.

The report presents information on the Commission's activities for the 2003 calendar year, including the balanced scorecard report and audited financial statements.

I commend the report for your review.

Respectfully submitted,



J. Wayne Trask
Chairperson
On behalf of the Board of Directors

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# Report of the Chairperson and the Chief Executive Officer

*Ann Marie Hann, Chief Executive Officer, and J. Wayne Trask, Chairperson*

Projected workplace trends in this province indicate that the overall vitality of the workers' compensation system is headed in the right direction. For instance, there continues to be an unprecedented decline in injury rates, which is happening despite a continual rise in employment. The overall cost of claims is also down from where we started at the end of 2001, and injured workers are returning to work safely and earlier.

It was just 12 months ago when we compared the workers' compensation system to a critically ill emergency patient. After much dedicated work, focus and consultation with stakeholders, the system is now stabilizing and treatment plans are being developed and implemented to ensure the long-term well being of the system. In fact, based on the Commission's results over the past three years, it is safe to say that the implementation of the Task Force Report on Workers' Compensation is having a positive impact on the system.

## Building a solid foundation

The Commission is on target to meet the financial goals set in its strategic plan. Our total revenue increased to $177.8 million in 2003. This is the highest level ever achieved by the Commission and is due to improved investment returns and strong payroll growth.

Claims costs in 2003 were higher than 2002 by $1.2 million (1%). Since 2000, however, claims costs have decreased $6.7 million or 4.6%, despite rising health care costs. We have also achieved the best funded ratio since 1998 at 74.1%.

Looking for ways to improve service to clients continues to be our priority. One such initiative was the completion of the first phase of the medical aid redesign project which incorporates the delivery of medical aid services with claims management. By developing policies and procedures to guide Commission decision makers and redesigning a number of administrative processes, our medical aid payment process should improve dramatically, thus providing better service to injured workers.

In addition, we recently signed landmark agreements with two of our health care partners; chiropractors and occupational rehabilitation providers. These agreements represent another step by the Commission and the health care community to address accountability issues raised in the Task Force Report. We have a similar agreement with the Newfoundland and Labrador Medical Association which is up for renewal in 2004.

In late 2003, we finalized a new Information Technology Services Strategic Plan to strengthen our technology systems and to ensure we are capable of meeting our clients' needs in the future. This plan focuses on upgrading our IT services and builds on our commitment to provide the highest level of timely, appropriate and user-friendly services for clients and stakeholders, employing industry best practices and process excellence.

## Looking to the future

While much has been accomplished and the long-term prognosis is favourable, our work has only just begun. Trends must be sustained and improved upon if we are to achieve the long-term goal of establishing and maintaining a workers' compensation insurance system that is fair, affordable and sustainable. Like the patient who is stable and moving to recovery, long-term measures and changes must be implemented to prevent a relapse and to maintain the momentum of the past three years.

As outlined in the Task Force Report, prevention is a critical component of stabilizing the workers' compensation system. In June of last year, after working in collaboration with over 60 organizations and individuals, the Commission released *Promoting Safe and Healthy Workplaces – A Provincial Strategy*. The strategy is based on a partnership approach where all stakeholders – employers, workers, industry associations, labour, health and safety professionals, government and the Commission take responsibility for changing the mindset and developing a positive health and safety culture in the workplace.

Systemic attitudinal and behavioural change is challenging and can only be achieved through a long-term, sustained commitment. Research indicates that a 24/7 safety culture within the workplace and outside it is required to achieve optimal safety outcomes.

To foster the development of a strong health and safety culture in Newfoundland and Labrador, the Commission is about to launch a public education campaign called SAFE WORK. This campaign will use television, radio and print advertising, as well as other communication methods to raise awareness about preventing accidents and reducing the number of workplace accidents and injuries. It will work hand-in-hand with existing Commission prevention initiatives and build on our efforts to promote internal responsibility systems within the workplace. It's becoming socially unacceptable not to wear a seatbelt or drink and drive. We hope to foster a culture where accidents in the workplace also become socially unacceptable.

Although our ultimate goal is to eliminate every accident, we recognize that accidents will occur. However, fewer accidents happen in safe workplaces. Taking the necessary safety steps to reduce injuries means safer workers, reduced business losses and reasonable insurance rates.

Recognizing that accidents will happen, we will continue to focus efforts on the early and safe return-to-work of injured workers.

Based on 2003 results, our actuary is projecting no reduction in the percentage of 2003 claims which would eventually go onto long-term disability. Nor is the average cost of long-term claims showing signs of dropping below current levels. Intense focus by the workplace parties, health care providers and the Commission will be necessary moving forward if we are to realize our goal of seeing more injured workers returning to work than at present.

We will continue to work with employers, workers, organized labour and health care providers to help them understand their role in early and safe return-to-work processes and the importance of reporting all workplace injuries and developing return-to-work plans in a timely manner. We will also continue to improve on our own internal processes in support of these efforts.

Late in 2003, we introduced a new experience-rating concept to change the way we calculate the premiums employers pay to insure their workers against workplace accidents and injuries. The new system, known as PRIME (***P**revention and **R**eturn-to-**W**ork **I**nsurance **M**anagement for **E**mployers/**E**mployees)*, could offer employers more control over their annual assessment costs by giving them more direct financial incentives to reduce accidents, foster safe and healthy workplaces and get injured workers safely and quickly back to work, leading to overall reduced workers' compensation costs. Further consultation on this program will occur in 2004 in the hopes of finalizing a new experience rating program for implementation in 2005.

## Partnering for success

Without doubt, participating and consulting with stakeholders has contributed significantly to the system's positive long-term outlook. Working in partnership simply makes sense. Now is the time to renew commitments to collaborate further, so we can maintain this progress. Although we are meeting or exceeding some targets, there is still much to be done to meet the goals and objectives outlined in our Five-Year Strategic Plan *(see results further along in this report).*

In June of 2003, labour representative Judy Vanta finished her term of office with the Board of Directors. We would like to thank Ms. Vanta for her guidance and contribution. We also take this opportunity to thank our entire Board of Directors for their effective leadership in 2003.

The advancements the system has been able to achieve are clearly based on the dedication of workers, employers, health care providers, the Government of Newfoundland and Labrador, the Board of Directors, management and staff of the Workplace Health, Safety and Compensation Commission, and other stakeholders. As we look to the future and build on our achievements, we will continue to be accountable and collaborate in an open and transparent manner for healthier and safer workplaces for all Newfoundlanders and Labradorians.

J. Wayne Trask
*Chairperson, Board of Directors*

Ann Marie Hann
*Chief Executive Officer*

# 2003 Board of Directors

BOARD OF DIRECTORS

**Back row (l-r):**

Roger Flood – Employer Representative

Michael J. Power – Worker Representative

Jack Stanley – Public Representative

Randy Whitehorne – Public Representative

Bernice Buckle – Employer Representative

Ann Marie Hann – Chief Executive Officer

**Front row (l-r):**

J. Wayne Trask – Chairperson

Kimberly Dunphy – Provincial Government Representative

Donald Warr – Public Representative

Judy Vanta – Worker Representative (to June, 2003)

Reg Anstey – Worker Representative

Louise Ade – Worker Representative

Missing from photo Ches Foote – Employer Representative

# Board Information

## Chairperson

**J. Wayne Trask – fourth year**
***Residence – Corner Brook***
- Director of Cambridge Estates Inc.
- Corporate Ventures Incorporated Board of Directors
- Chairperson of the Newfoundland and Labrador Business Hall of Fame Committee
- Fellow of the Institute of Chartered Accountants of Newfoundland & Labrador
- Awarded Queen's Golden Jubilee Medal in 2002

## Worker Representatives

**Reg Anstey – fifth year**
***Residence – St. John's***
- President of the Newfoundland and Labrador Federation of Labour
- National Seafood Sector Council Board
- Offshore Fish Resource Harvester Incorporated Board
- Board Member Fisheries Benefit Trust

**Michael J. Power – third year**
***Residence – Mount Pearl***
- President/Business Manager of Local 2351, International Brotherhood of Electrical Workers (IBEW) and International Representative
- Past Chairperson of the Newfoundland and Labrador Construction Safety Association Board and Board Member
- Past Member Labour Relations Board

**Judy Vanta – fifth year (June, 2003)**
***Residence – St. John's***
- Past Vice-President of the Newfoundland and Labrador Federation of Labour
- Past Director of the Newfoundland and Labrador Association of Public and Private Employees

**Lousie Ade – first year**
***Residence – Goulds***
- Vice-President Canadian Postmasters and Assistants Association (CPAA)
- Vice-President of affiliated small unions at Newfoundland and Labrador Federation of Labour and serves on Workers' Compensation Committee

## Employer Representatives

**Bernice Buckle – fifth year**
***Residence – Corner Brook***
- Western Memorial Hospital Foundation
- Western Health Care Corporation Board
- Awarded Lions International "Melvina Jones Fellow" Life Member status by the Lions Foundation of Canada
- Awarded Queen's Golden Jubilee Medal in 2002

**Roger Flood – fourth year**
***Residence – St. John's***
- President and CEO of Marine Atlantic
- Community Service Award of the Association of Professional Engineers and Geoscientists of Newfoundland in 1998
- Awarded Queen's Golden Jubilee Medal in 2002

**Ches Foote – sixth year**
***Residence – Harbour Breton***
- President, Trans Island Funeral Services Company Limited
- Associate of the Institute of Canadian Bankers
- Member of the Economic Development Committee and Treasurer of the Alternative Measures Program in Harbour Breton

## Public Representatives

**Donald Warr – fourth year**
***Residence – St. John's***
- Chartered accountant and partner in the firm Blackwood and Warr
- Newfoundland Capital Corporation Board
- Marine Atlantic Board of Directors
- Fellow of the Institute of Chartered Accountants of Newfoundland and Labrador

**Jack Stanley – second year**
***Residence – Grand Falls-Windsor***
- Retired civil servant
- Provincial Apprenticeship and Certification Board
- Past Member, Grand Falls-Windsor Co-operative Society Board

**Randy Whitehorne – first year**
***Residence – Labrador***
- Lion's Club, past-secretary-treasurer
- Board of Directors, Labrador Community Employment (Treasurer)
- Past Member St. John Ambulance
- Past Member Big Brothers, Big Sisters

## Ex-Officio Representatives

***Ann Marie Hann***
Chief Executive Officer
Workplace Health, Safety and Compensation Commission

***Kimberly Dunphy***
Assistant Deputy Minister
Occupational Health and Safety Branch
Department of Government Services

# Introduction

In 2003, our Board of Directors approved a new vision statement consistent with the strategic direction as defined in our 2002-2006 Strategic Plan.

Although our mission statement clearly conveys the reason for our existence, the original strategic plan did not describe the ideal state we are striving to achieve for our clients. A clear vision statement will ensure we establish and strive for the proper long-term strategic goals.

In addition, the Board of Directors approved a new set of value statements that will form part of our strategic plan. Value statements are operating principles which guide all of our decisions and actions. Values and beliefs are extremely important to help change and sustain our desired culture. Values also serve as a foundation of principles and habits and play a critical role in helping an organization achieve success.

# Vision

In partnership with our stakeholders, we will have the safest workplaces and be the best workplace insurance provider and employer in Canada.

# Mission

Utilizing skilled, professional employees, in partnership with workplace parties, we will facilitate safe and healthy workplaces by assisting employers and workers to prevent accidents, and manage workplace injuries/illnesses and return-to-work processes.

Operating as the administrator of the workers' compensation insurance program, we will provide a reasonable level of benefits to injured workers and their dependents based on reasonable assessment rates for employers, while maintaining or exceeding service level performance when compared to other jurisdictions in Canada.

# Values

## *Excellence*

We excel through innovation, continuous learning, personal initiative and strong partnerships, to provide the highest quality programs and services to our clients.

## *Integrity*

We maintain the highest professional and ethical standards in our dealings with clients and each other.

## *Respect*

As empathetic service providers, we treat each other, our clients and stakeholders with dignity and respect.

## *Accountability*

We openly accept ownership of our actions, celebrate our successes and correct our mistakes.

## *Teamwork*

We work together to produce outcomes that are greater than the sum of the individual efforts.

## *Quality Service*

We provide valued services to our clients that are fair, prompt, sensitive and respective to their needs.

# 2000-2003 Balanced Scorecard Report

# Measurement and Accountability

## A Strategic Balanced Approach

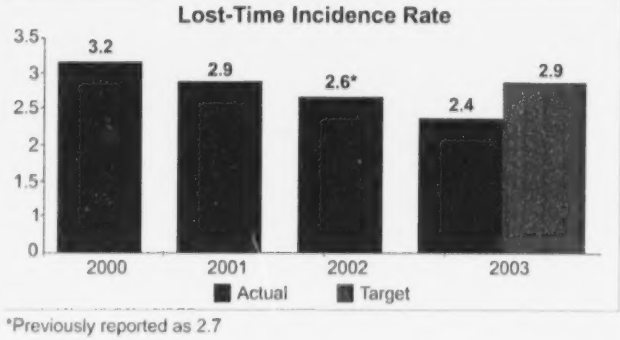
The Commission's five-year strategic plan represents a balanced approach to dealing with the challenges and the enormous opportunities available to us in the fast-paced and constantly changing world in which we live. Like most environments, there are multiple factors that influence us daily and the workers' compensation environment is no different. We exist to serve people and the people we serve have a broad array of needs and interests. To properly serve our clients in this multi-faceted and fast-paced environment means there is no one solution to meeting their needs. Therefore, a balanced approach is the best way and is what our strategic plan strives to achieve. To be accountable, we have developed a business tool commonly referenced as the Balanced Scorecard. We have taken that tool, modified it to meet our needs, and used it to measure our progress in the spirit of demonstrating greater accountability to the people we serve.



## Goal A: Prevention Focus Achieving Results

**Accident and illness prevention is everyone's responsibility. We will work in partnership with our stakeholders to reduce the incidence of injury and illness in the workplace.**

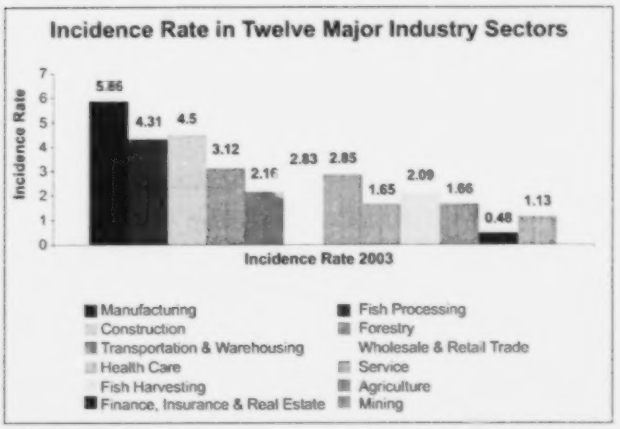
*Goal A1* – To work with the Occupational Health & Safety Branch of the Department of Government Services to reduce the incidence rate by 20% by 2006. [Note: The incidence rate is the number of lost-time claims per 100 people employed.].

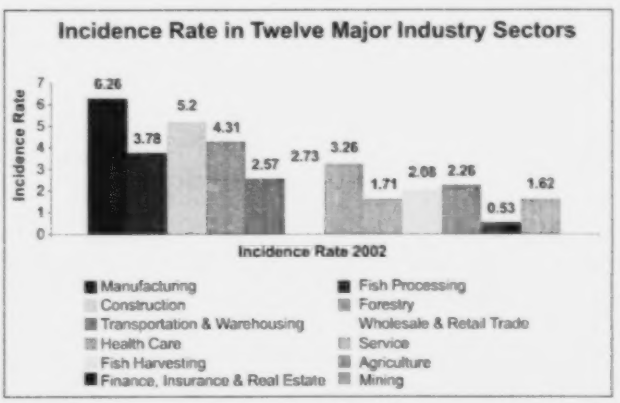



*Previously reported as 2.7

1. The number of new lost-time injuries for 2003 is 5,213, down 286 or 5.2% from 2002.
2. The number of new health care only claims for 2003 is 3,779, down 707 or 15.8% from 2002.
3. The number of fatality claims remained the same at 23 for 2003. Of the 23 fatality claims, nine resulted from workplace accidents while the remaining 14 were claims related to occupational disease.

*Goal A2* – To work with the Occupational Health and Safety Branch of the Department of Government Services to reduce the average lost-time incidence rate in the seven leading industry sectors by a total of 25%.




1. To better report and track injury incidence, the Commission expanded its reporting on industry classification from seven to 12 sectors. The new sector classifications will be more responsive to industry associations, employers, and unions in promoting partnerships to track and trend performance in injury prevention throughout the province.

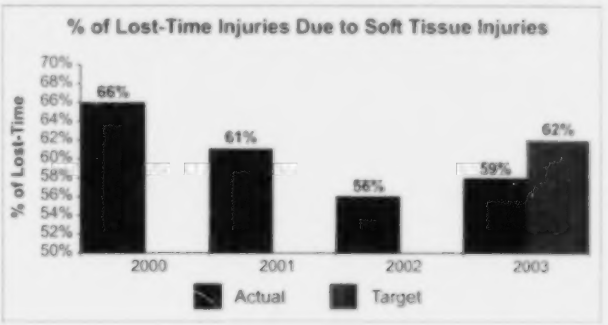
2. Nine (9) of the 12 industry sectors saw a decline in their lost-time incidence rates, with the biggest declines occurring in mining (30.2%), forestry (27.6%), and agriculture (26.5%). The fish processing sector experienced an increase in the incidence rate of 14% followed by wholesale and retail trade at 3%.

3. The Commission's Priority Employer Program, coupled with the Strategic Inspections Program of the Department of Government Services, both aimed at employers with high accident rates, resulted in these firms reducing their number of claims by 10.9% in 2003.

*9 of the 12 industry sectors saw a decline in their lost-time incidence rates*

*Goal A3* – To work with the Occupational Health and Safety Branch of the Department of Government Services to reduce soft-tissue injuries as a percentage of lost-time injuries to 55% by 2006.

1. The percentage of soft tissue injuries increased from 56% in 2002 to 59% in 2003; however, this is still lower than the 2003 target of 62%. Reductions in soft tissue injuries will require continued focus in the future because they are often difficult to diagnose and manage and as a result, can be very costly.




2. In 2003, workplaces in the Priority Employer Program decreased their soft tissue injuries by 3.3%. This is in addition to a 19.1% decrease in 2002, and is further evidence that targeted intervention is working.

3. In 2003, the Commission delivered seven ergonomic information sessions throughout the province, to over 200 participants in the health care, manufacturing and general office industries.

*Goal A4* – To finalize and implement a provincial accident prevention strategy.

1. A Provincial Accident Prevention Strategy was released in June 2003. While a four-year implementation plan is now being finalized, several initiatives are already underway as noted below.

2. Planning began for a multi-media public awareness campaign with prevention as the theme. This campaign will be based on a social marketing strategy to foster an attitudinal shift towards a stronger safety culture in Newfoundland and Labrador. It will help raise awareness about prevention and ultimately reduce the number of workplace accidents and injuries.

3. As part of our efforts to support workplace parties in their accident prevention strategies and programs, the Commission developed an injury statistical data module using data warehousing technology. The injury statistics module allows the Commission to access and analyze injury data to identify accident trends so proactive measures can be taken. Timely identification of accident trends and the sharing of this information with workplace parties will lead to more responsive accident prevention programs and strategies and, thus, fewer workplace injuries.

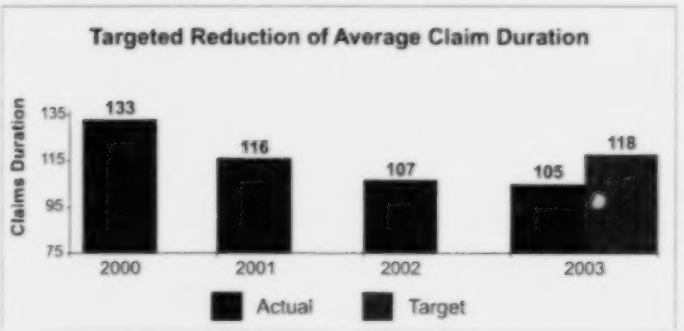
4. Through the national Association of the Workers' Compensation Boards of Canada (AWCBC), the Commission partnered with other workers' compensation boards to develop a database to facilitate knowledge exchange on occupational health and workers' compensation research at the national level. A database is now available on the AWCBC website (www.AWCBC.org) containing summaries of current research projects that focus on accident/illness prevention, disability management and return-to-work.

5. At the provincial level, the Commission continues to partner with SafetyNet, a community research alliance on health and safety in marine and coastal work, based at the Newfoundland and Labrador Centre for Applied Health Research at Memorial University. Through its involvement, the Commission supports research initiatives and affords opportunities to link and partner with national researchers, thus building local research capacity and facilitating the transfer of practical research knowledge in occupational health and safety for application in the workplace.

# Goal B: Injured Workers and Employers Better Served

## High quality service continues to be an important objective for the people we serve. We are committed to better serve them.

*Goal B1* – To reduce the average duration of claims to 95 days by 2006.




1. 2003 was the second full year of the early and safe return-to-work model. Average claims duration continues to trend below annual targets, however, the reduction is lower than in the first year of the model. This illustrates the need to continue focusing on early and safe return-to-work and sustaining efforts to accommodate injured workers.

2. The number of early and safe return-to-work plans set up in 2003 was 1,506 (29% of lost-time injuries) versus 1,326( 24%) in 2002. For those plans completed, the average duration in 2003 was 34 days versus 37 days in 2002.

3. The Commission established a dedicated Extended Benefits Unit to improve services to long-term clients.

4. A redesign of the medical aid function was initiated and completed in 2003 to integrate delivery of health care benefit entitlement services with claims management. This change allows for a much improved delivery of services to injured workers.

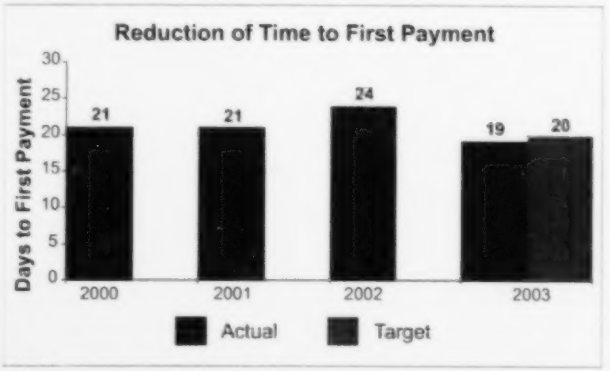
5. In 2003, the Workers' Assessment and Diagnostic Centre program was reviewed. Modifications were made, and piloted, to allow for an early assessment and consultation for lower back, neck and shoulder claims with durations of eight to 12 weeks where there was no clear diagnosis and where return to work was not imminent. Results from this pilot have led to the Commission issuing a request for proposals for province-wide multi-disciplinary early assessment and consultation programs.

6. Detailed action plans were developed for all Temporary Earnings Loss (TEL) claims with long duration. An accountability process which tracks and monitors results and plan impacts has also been instituted.

*Goal B2* – To reduce the time to first payment to 14 days by 2006.

1. The Commission's time to first payment was 19 days in 2003, surpassing the target of 20 days. This is a drop of 21% (five days) from the average of 24 days in 2002.

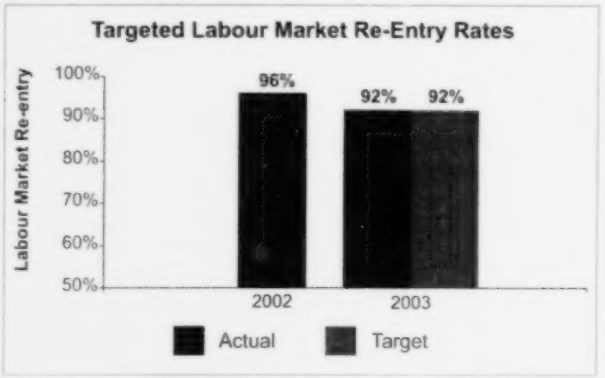
2. Front-end processes associated with claim filing and registration were reviewed and changed to reduce turnaround times and the time to first payment to injured workers. These changes ranged from streamlining mail flow to introducing measures to monitor performance in the claims assembly area. Future initiatives to reduce the time to first payment indicator will focus on improved injury reporting forms and promoting the importance of timely injury reporting.



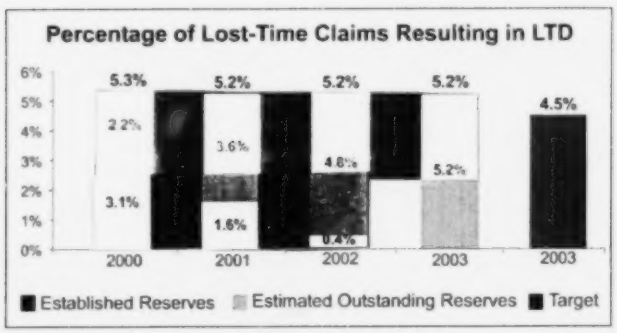

*Goal B3* – To increase the percentage of workers in the labour market re-entry program as of November 1, 2001 who have completed their plan or are continuing their original labour market re-entry plan to 98% by 2006.

1. For 2003, 92% of workers completed, or are continuing, their original labour market re-entry plan.

2. An evaluation of the Labour Market Re-entry (LMR) program was completed in 2003. The key outcomes of the evaluation point to the need for improved understanding of the LMR program by the injured worker; improved communication between the Commission, injured worker and the LMR provider before, during and after the LMR assessment; increased employer involvement, where appropriate; better understanding by the LMR providers of the compensation system; and increased access to more LMR service providers to reduce turnaround times. A plan of action to improve the LMR program will be implemented in 2004.



*Goal B4* – To decrease the percentage of lost-time claims per accident year resulting in long-term disability/extended earnings loss award (EEL) to 3.5% by 2006.

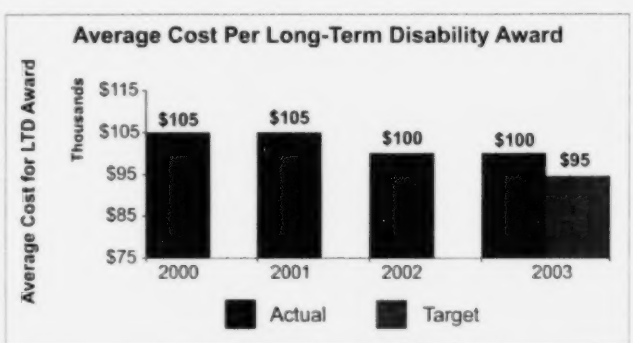



1. The method of reporting this estimate in 2003 differs from that reported in 2002. Previously, the estimate was determined from a calculation method used by the Association of Workers' Compensation Boards of Canada. Because this method is under review nationally, as it produces results without appropriately considering fluctuations in claims experience in any given year, the Commission is reporting estimates provided by our actuary.

2. The Commission's actuary is estimating that 5.2% of new 2003 lost-time claims could go on to long-term disability (EEL).

3. The current estimate of 5.2% is above our target of 4.5%. This points to the need to further intensify claims management efforts, both by the workplace parties and the Commission, aimed at earlier intervention and effective rehabilitation.

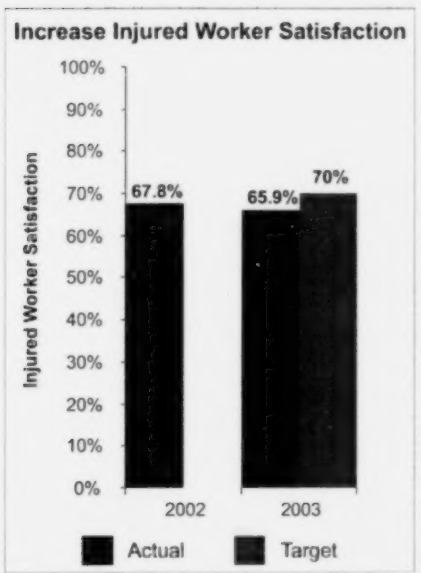
*Goal B5* – To reduce the average cost per long-term disability/extended earnings loss award (EEL) by restoring injured workers' pre-injury earnings capacity.




1. In 2003 the actuarial estimate for the average long-term disability (EEL) award remained at $100,000 but $5,000 higher than the target.

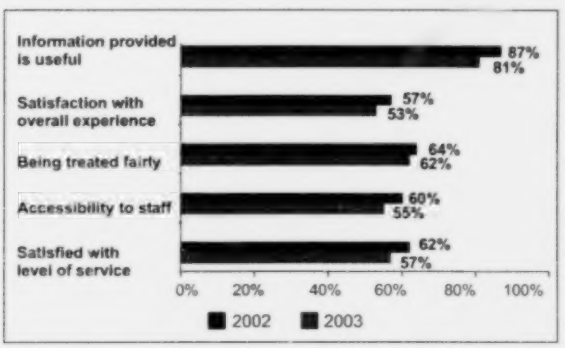
2. Similar to the above, this indicator is a further illustration of the need for improved claims management outcomes that will see an improvement in restoring injured workers' pre-injury earnings capacity and reducing long-term disability costs which currently represent more than 60% of out total benefit liabilities.

*Goal B6* – To increase the average satisfaction level for injured workers to 85% by 2006.

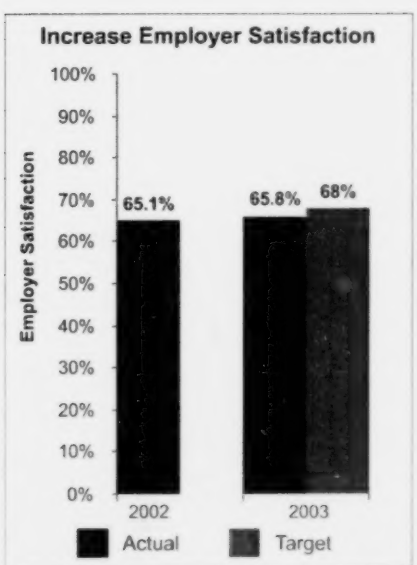



1. Based on the 2003 injured worker survey, two out of three injured workers were satisfied with the Commission (65.9%), generally on par with the 2002 level.

2. Five (5) indicators are weighted and included in the satisfaction index. Clearly, there is much work still to be done by the Commission to meet workers' needs.

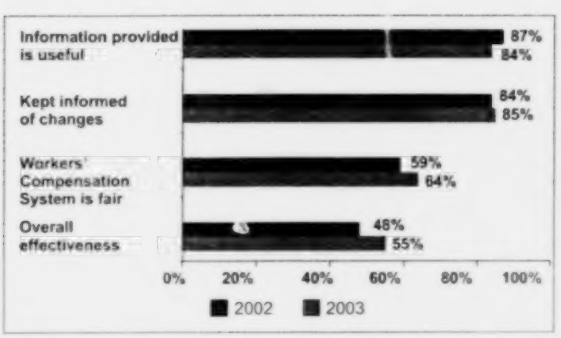



*Goal B7* – To increase the average satisfaction level for employers to 85% by 2006.




1. Based on the 2003 employer survey, the overall employer satisfaction rate is 65.8%, on par with the 2002 level. Consistent with the injured worker survey outcome, the results point to the need for increased effort to meet employers' needs. The results may not be totally surprising considering the significant system changes which have been occurring since 2001, and will continue in 2004.

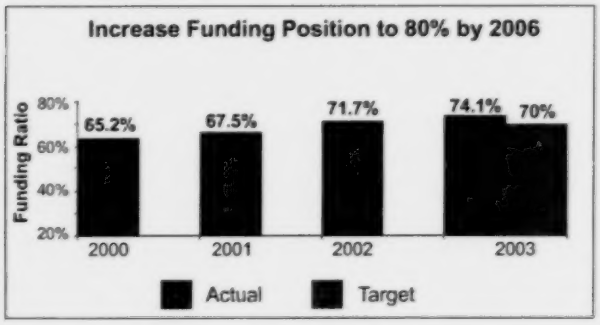
2. Four (4) indicators are weighted and included in the employer satisfaction index.



## Goal C: Financially Secure

**A sound and sustainable financial position is critical not only to meet current needs, but also the needs of those who have suffered serious injury and who will need long-term financial support.**

*Goal C1* – To increase the system's overall funding position to 80% by 2006.




1. Overall claims costs for 2003 increased by $1.2 million (1%) over 2002. The increase is attributable to higher health care costs of $3.5 million offset by a decrease in benefit costs of $2.2 million due primarily to a reduction in lost-time injuries. Since 2000, claims costs have decreased $6.7 million, or 4.6%.

2. Assessments levied are up by $3.8 million over original projections.

3. Accounts receivable at year-end was 3.9 % of assessments levied versus 4.3 % in 2002. The percentage outstanding is the best ever performance by the Commission.

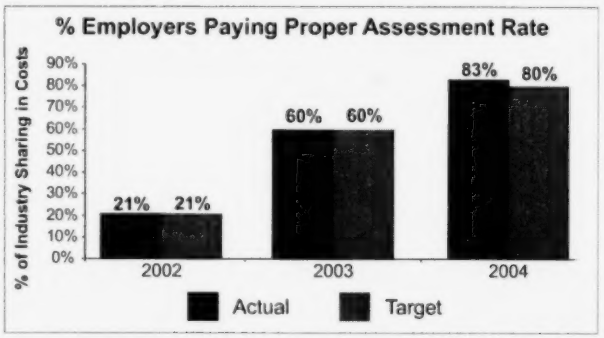
4. Third party actions taken on behalf of injured workers resulted in gross recoveries of $1.6 million, the largest amount ever recovered in any single year.

5. The Commission's corporate fraud strategy, launched in 2002, enforces a zero tolerance policy for system abuse and fraud by both workers and employers and other parties who do business with the Commission. During 2003, two convictions of fraud were rendered, and three charges were made and awaiting trial. In addition, four charges are currently pending.

*A sound and sustainable financial position is critical*

*Goal C2* – To ensure all industry groups are assessed their fair share of system costs by 2006.

1. The new assessment model introduced in 2002 ensures base assessment rates for employers are more responsive to actual costs, and the phase-in period of five years gives employers an opportunity to influence their rates through prevention and early and safe return-to-work programs.

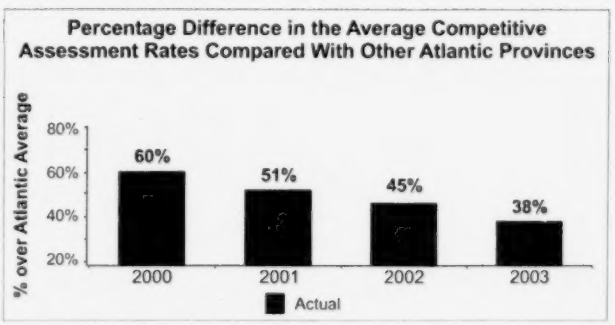


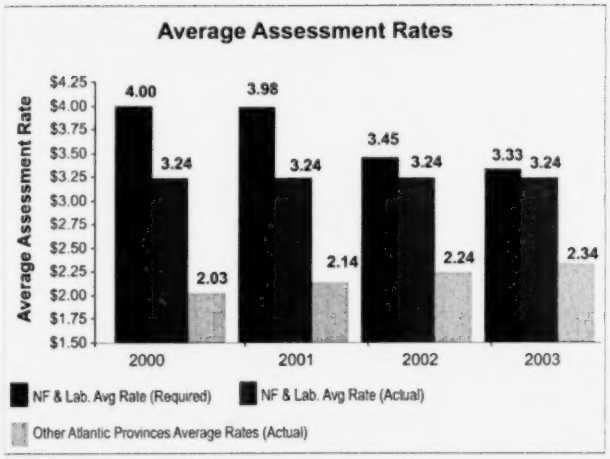

2. In 2003, 60% of employers paid their full and fair share of assessments, versus 21% in 2002. This will increase to 83% in 2004 with the 2004 base assessment rates.

3. A review of the Commission's experience rating program was undertaken in 2003, which recommended expanding the program to more employers and making the program more responsive by directly linking workers' compensation assessments to workplace practices and accident experience. The new model PRIME will be finalized in 2004 for implementation as early as 2005, pending Government approval for required legislative changes to support it.

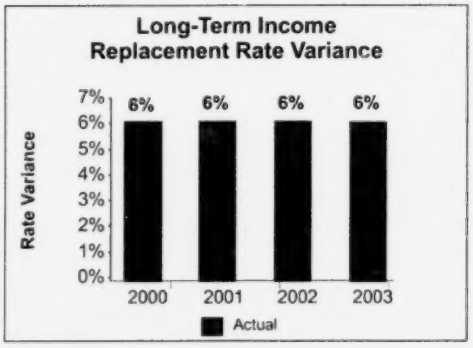
*Goal C3* – To reduce the competitive variance in the average 'required' assessment rate when compared to the other Atlantic Provinces.

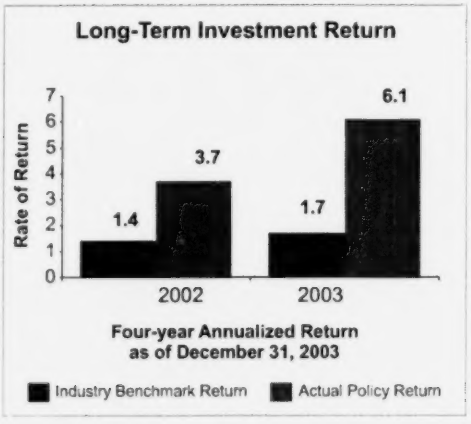
1. For 2003, employers in Newfoundland and Labrador paid average assessment rates 38% above the Atlantic average, an improvement of 7% from 2002 and 22% since 2000.






2. The Commission opted to hold the average assessment rate at $3.24 for the fourth straight year, despite costs for 2003 requiring a $3.33 rate (down from $4.00 in 2000). As opposed to increasing rates, the approach taken continues to be getting costs under control through prevention, early and safe return-to-work and medical management programs.




*Goal C4* – To maintain a competitive long-term income replacement rate variance when compared to the other Atlantic Provinces.

1. The long-term income replacement rate paid to injured workers in this province remains, on average, 6% below the Atlantic average.

2. Although our income replacement rate is lower, the percentage of the workforce covered is much higher in Newfoundland and Labrador at 97%. The average for the remaining Atlantic Provinces is approximately 84%.

*Goal C5* – Long-term Investment Return

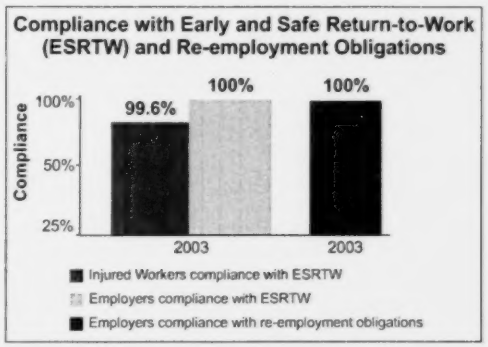
1. The Commission's investment return exceeded the policy benchmark and overall investment revenue increased to $22.6 million compared to $12.0 million in 2002, an increase of $10.6 million or 88.3%. The rebound in the investment market is good news for funding the system.

## Goal D: Stakeholders Sharing Responsibility for Changes

**Challenges facing the system can be best met by everyone (employers, labour, injured workers, health care providers, the Provincial Government and the Commission) working in partnership and sharing responsibility while being individually accountable.**

*Goal D1* – To attain full employer and injured worker compliance with early and safe return-to-work (duty-to-co-operate).

*Goal D2* – To attain full employer compliance with re-employment obligations



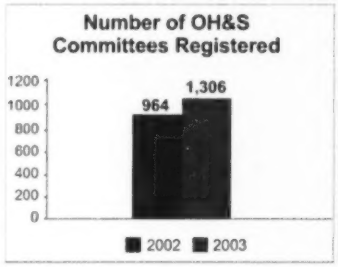

1. The Commission has not issued any penalties to employers for failing to meet the re-employment obligation. There has also been very good compliance by employers and injured workers with the duty-to-co-operate obligations.

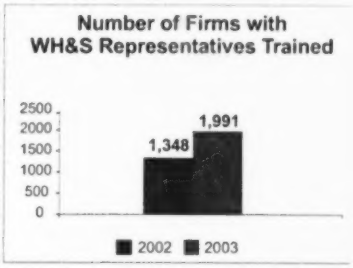
2. Through consultation and education, the duty-to-co-operate can result in better early and safe return-to-work plans, with more workers returning safely to their pre-injury positions earlier than in the past. To date, there has been good co-operation from employers and workers in the early and safe return-to-work model and the duty-to-co-operate. The Commission will continue to work with the workplace parties to facilitate the optimal return to work for each individual injured worker, while encouraging employers to be proactive with adopting and promoting return-to-work programs in the workplace.

*Challenges facing the system can be best met by everyone by working in partnership and sharing responsibility*

*Goal D3* – To work with the Occupational Health & Safety Branch of the Department of Government Services to increase employer compliance with health and safety legislation regarding the establishment of occupational health and safety committees and worker health and safety representatives and related training.

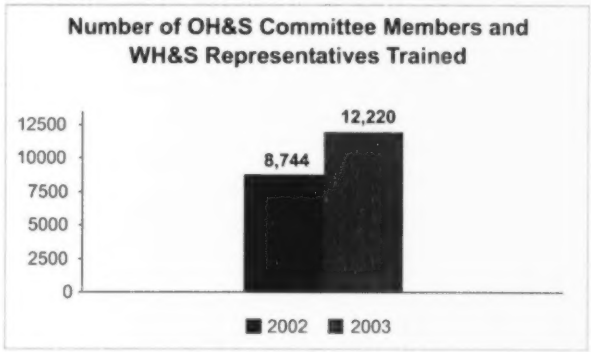
1. In 2003, there were 1,306 occupational health and safety committees registered, an increase of 35.5% over the 964 committees in 2002.




2. At the end of 2003, the number of worker representatives receiving occupational health and safety training was up by 643 or 47.7% from 2002.

3. Approximately 12,220 people completed occupational health and safety committee or worker health and safety representative training by the end of 2003. This is a 39.8 % increase over 2002.




4. A network of 113 active private and corporate health and safety trainers, certified by the Commission, continue to provide occupational health and safety training throughout the province.

5. A prevention tracking system implemented in 2002 was further enhanced in 2003. The system now provides the capability to track occupational health and safety committee and worker representative training delivery, safety trainer evaluation, health and safety committees established and safety audit findings and recommendations.

*Goal D4* – To enhance the role of health care service providers in the management of workplace injuries.

1. The Commission now has three agreements for services with health care providers. In addition to its agreement with the Newfoundland and Labrador Medical Association (NLMA), in 2003 the Commission signed its first ever Memorandum of Agreement with the Newfoundland and Labrador Chiropractic Association and with each chiropractor providing services to injured workers. This three-year agreement highlights such things as the role of the chiropractor in early and safe return-to-work, chiropractor reporting requirements and the establishment of a Commission/Chiropractic Association Liaison Committee to resolve issues.

***NL Chiropractic Association Agreement Signing Ceremony***

*Standing (l-r): Dr. Carl Eustace, Dr. Rowena Ryan, Dr. Greg Woolfrey, Dr. Lorri Galbraith (WHSCC), Dr. Roly Bryans. Seated (l-r): Dr. Keith Cassell (President, NLCA) and Ann Marie Hann (CEO, WHSCC) Chiropractor Liaison Committee members absent: Dr. Sharon Hynes, Valerie Royle (WHSCC), and Fabian Philpott (WHSCC).*

2. A Memorandum of Agreement (MOA) was also signed with all providers of occupational rehabilitation services to injured workers. This MOA defines occupational rehabilitation services, highlights the important role of occupational rehabilitation providers in the early and safe return-to-work model and establishes a Commission/Occupational Rehabilitation Liaison Committee to address issues concerning occupational rehabilitation services.

***Occupational Rehabilitation Agreement Signing Ceremony***

*Standing (l-r): Trent Oldford, Dr. Lorri Galbraith (WHSCC), Jennifer Ritcey, Jane Simmons, Sharon Horan. Seated (l-r): Kim Larouche, Ann Marie Hann (CEO, WHSCC), Anne Connor-Sheppard.*

3. In 2003, over 40 physicians participated in a Commission-sponsored Continuing Medical Education (CME) event on the diagnosis and treatment of musculoskeletal injuries. The role of the physician in the early and safe return-to-work model as presented by employer and labour representatives was also featured in this CME event. The Commission will continue to offer such opportunities to physicians annually.

4. The Commission continued to partner with the Newfoundland and Labrador Medical Association to facilitate two-way communication between the Commission and the physician community. One of the initiatives undertaken in 2003 was the quarterly publication of a joint Medical Association/Commission newsletter for physicians.

## Goal E: Commission Operating More Efficiently

**The Commission is committed to efficiency in all operational areas through the adoption of appropriate business practices, with a focus on performance measurement and management to achieve desired outcomes.**

*Goal E1* – To use the most appropriate and current technologies to enable staff and stakeholders to effectively achieve their business needs.

KEY PERFORMANCE INDICATORS

1. In 2003, the Commission developed a new Information Technology Services Strategic Plan. The plan sets the direction for service delivery, systems' architecture and technology employed by the Commission. It also ensures that investments in information technology are aligned with, and support, the Commission's overall strategic goals.

2. During the year, the Commission completed an upgrade of its main computer processor and networks resulting in a significant improvement in system response time for staff in its three locations.

*Goal E2* – To improve internal procedures for processing and accessing information.

1. The Commission completed the first phase of its strategic information reporting initiative, with the implementation of data warehouse technologies for reporting injury statistics. In 2004, the data warehouse will be expanded to other areas including claims costs, workload statistics and health care analysis. This new technology will position the Commission to gain timely access to data, identify trends and support decision making around new and existing programs and introduce performance measurement and management.

2. As part of the medical aid redesign project in 2003, the Commission transferred its vendor management and medical aid accounts payable functions from the Compensation Services Department to the Finance Department and strengthened its financial controls. As well, it initiated tender calls for certain costly and high volume medical aid items. Tendering will expand in 2004, and when the process is fully optimized, we expect to realize significant cost savings.

3. The Commission's Internal Review Division continues to meet its legislated 45-day timeline for internal review decisions.

## *Goal E3* – To enhance internal controls through the implementation of internal audit recommendations.

1. Internal audit reports are being implemented as appropriate.

## *Goal E4* – To ensure policies and procedures are current and effective.

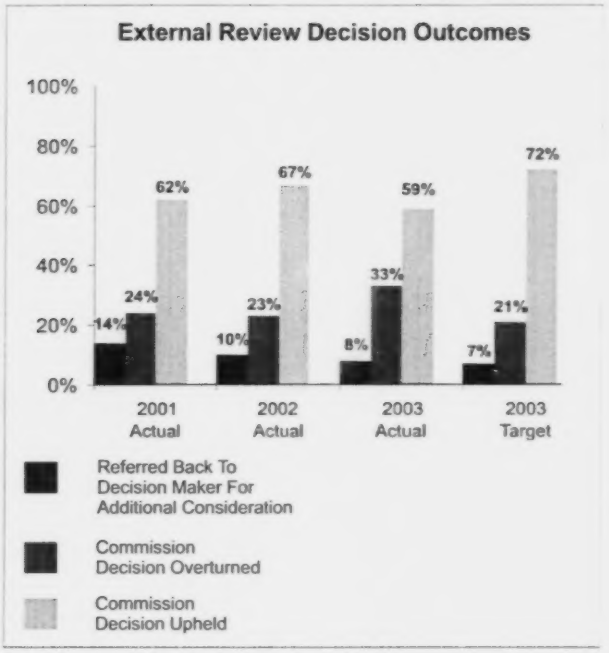
1. The Commission has adopted a process of regular, face-to-face consultation with workers' compensation system stakeholders. Consultations now take two primary forms.

    i. Bi-annual Round Table discussions were held with upwards of 35 of Newfoundland and Labrador's key business, labour and other associations and leaders. Round Tables bring all stakeholders together, yielding realistic, practical ideas, providing an opportunity for them to share their perspectives and learn from one another.

    ii. Strategic Policy and Program Review: As a separate initiative, the Commission met with stakeholder groups and solicited their involvement, first in prioritizing the strategies and programs to be addressed, and next in performing the review. Stakeholders were then given the opportunity to outline the type of input they would like to provide, as well as the type of forum they would like the Commission to use (e.g. workshop, 'mini' round table). As a result, the Commission hosted numerous policy and/or program consultations throughout the year. This will continue into 2004.

2. In 2003, six policies were revised and one new policy developed and approved. In addition, seven procedures were revised and seven additional ones developed.

3. The Commission has now set a schedule for reviewing all policies at least once every five years to ensure they are kept current.




4. Annually, the Commission makes thousands of decisions affecting injured workers and employers. A minority are appealed to the Workplace Health, Safety and Compensation Review Division (external review). For instance, in 2003, 437 appeal decisions were registered (estimated at less than 1% of all appealable decisions) compared with 483 in 2002. Of the decisions rendered by the Review Division in 2003, 33% resulted in the Commission's decisions being overturned, in full or in part.

5. A process has now been put in place to review all overturned decisions and take action, within our control, to rectify the causes that may have lead to the overturned decision. Such actions may include conducting further staff training specific to the issue(s) or changing a particular process or practice.

*Annually, the Commission makes thousands of decisions affecting injured workers and employers*

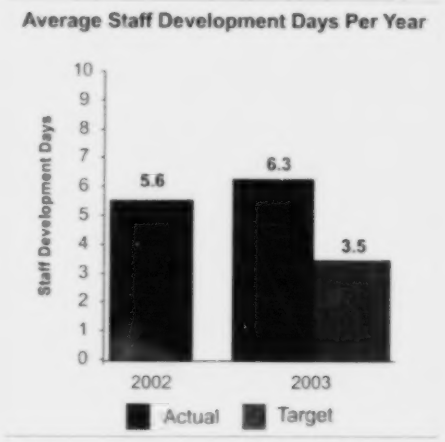
## Goal F: Knowledgeable Employees Satisfied and Retained

**The Commission places high value on its employees and will provide them with the necessary training and professional development aimed at achieving a service culture and a productive, accountable and performance-driven work environment.**

*Goal F1* – To ensure staff development average continues to be four days per employee.

1. To meet the many challenges and opportunities to better serve clients, the Commission is committed to investing in appropriate professional development and training for staff. Training provides an opportunity to make improvements in accountability, productivity and performance outcomes. The average number of training days per employee was 6.3 days for 2003.

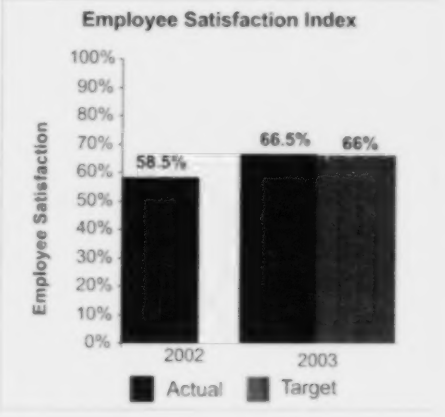
2. Core competency profiles were developed for each position, which include core competencies, skills, knowledge, and abilities. These profiles will serve as a basis to identify and address future professional development and training needs.




*Goal F2* – To increase employee satisfaction.

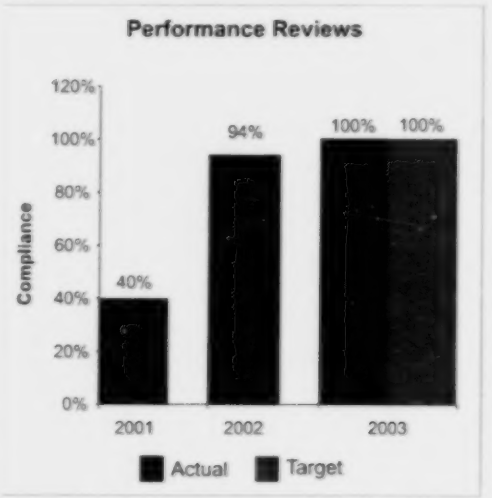
1. An employee opinion survey conducted in 2003 showed an overall staff satisfaction level of 66.5%.

2. A four-year Human Resource Strategic Plan developed in 2003 continues to address such areas as staff training needs, professional development and other related areas.



## *Goal F3* – To complete performance reviews and development plans annually.

1. During 2003, 100% of employees participated in the performance development evaluation and training development planning process.

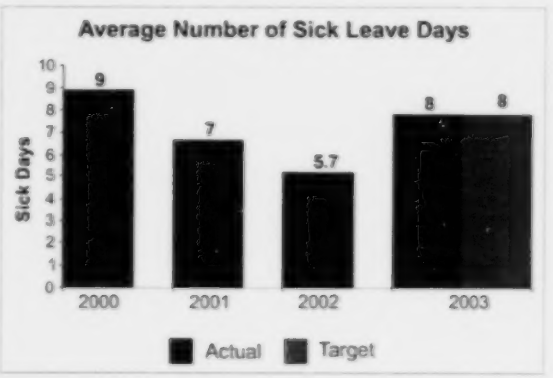



## *Goal F4* – To ensure leadership development and career pathing is effective.

1. An employee opinion survey conducted in 2003 showed nearly 71% of employees are satisfied with their leadership development and career pathing opportunities.

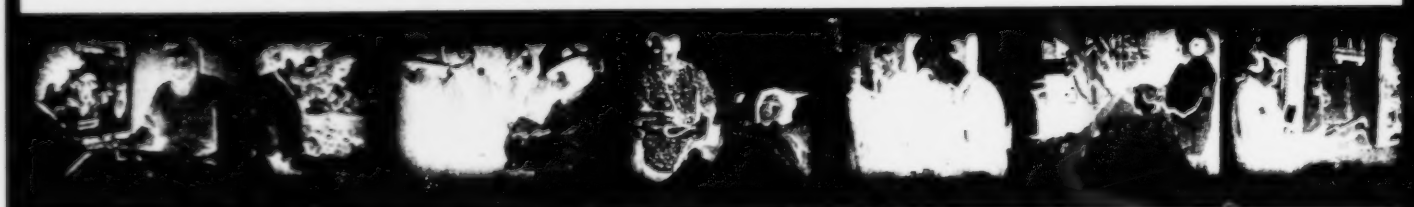
## *Goal F5* – To reduce the average number of sick days to 6.5 by 2006.

1. The Commission is committed to a healthy and safe work environment. One of the measures we track is sick leave. While there are multiple, uncontrollable factors affecting sick leave, our objective is to support and take necessary preventive measures for those areas within our control.




2. Sick leave in 2003 averaged eight days. The average was influenced by an unprecedented amount of leave related to non-work-related accidents and long-term illnesses. While not overly concerned with its sick leave statistics at present, the Commission intends to review its disability management program with its unions in 2004.

# 2003 Financial Statements



# Management Responsibility for Financial Reporting

The financial statements of the Workplace Health, Safety and Compensation Commission were prepared by management, who are responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting principles consistent with generally accepted accounting principles in Canada. Financial information contained elsewhere in this Annual Report is consistent with these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, management maintains the necessary internal controls designed to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded. The Internal Auditor performs audits designed to test the adequacy and consistency of the Commission's internal controls, practices and procedures.

The Board of Directors has reviewed the financial statements and other financial information included in this Annual Report.

The Board of Directors is assisted in its responsibilities by its Finance and Audit Committee. This committee reviews and recommends approval of the financial statements and Annual Report, meets periodically with management, the Internal Auditor, external auditors and actuaries concerning internal controls and all other matters relating to financial reporting, and recommends the appointment of external auditors and actuaries.

The firm of Morneau Sobeco has been appointed as independent consulting actuary to the Commission. Its role is to complete an independent actuarial valuation of the benefit liabilities of the Commission on a periodic basis not to exceed two years and to report thereon in accordance with generally accepted actuarial principles. Such a valuation was performed as at December 31, 2002.

Deloitte & Touche LLP, the external auditors of the Commission, have performed an independent audit of the financial statements of the Commission in accordance with Canadian generally accepted auditing standards. The Auditors' Report outlines the scope of this independent audit and the opinion expressed.

Ann Marie Hann
*Chief Executive Officer*

Paul Kavanagh
*Chief Financial & Information Officer*

# Financial Statements


Auditors' Report . . . . . 30

Statement of Financial Position . . . . . 31

Statement of Operations . . . . . 32

Statement of Unfunded Liability . . . . . 33

Statement of Cash Flows . . . . . 34

Notes to Financial Statements . . . . . 35

# Auditors' Report

To the Board of Directors of the
Workplace Health, Safety and Compensation Commission
of Newfoundland and Labrador

We have audited the statement of financial position of the Workplace Health, Safety and Compensation Commission of Newfoundland and Labrador as at December 31, 2003 and the statements of operations, unfunded liability and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at December 31, 2003 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

St. John's, Newfoundland and Labrador
March 7, 2004

Deloitte & Touche LLP
*Chartered Accountants*

# Statement of Financial Position

As at December 31

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents (Note 3) | **$ 25,141** | $ 25,024 |
| Receivables (Note 4) | **14,398** | 13,990 |
| Investments (Note 5) | **440,793** | 402,968 |
| Capital assets (Note 7) | **9,942** | 9,728 |
| | **490,274** | $ 451,710 |
| **Liabilities and Net Fund Deficiency** | | |
| Payables and accruals | **$ 9,597** | $ 8,465 |
| Benefit liabilities (Note 8) | **650,794** | 620,825 |
| Total liabilities | **660,391** | 629,290 |
| Reserves (Note 11) | **973** | 1,000 |
| Unfunded liability | **(171,090)** | (178,580) |
| Net fund deficiency | **(170,117)** | (177,580) |
| | **$ 490,274** | $ 451,710 |

***Commitments (Note 19)***

***Contingencies (Note 20)***

On behalf of the Commission

J. Wayne Trask
*Board Chairperson*

Ches Foote
*Director*

*The accompanying notes are an integral part of the financial statements.*

# Statement of Operations

Years ended December 31

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| **Revenue** | | |
| Assessments | **$ 155,150** | $ 155,969 |
| Investment income (Note 5) | **22,623** | 12,049 |
| | **177,773** | 168,018 |
| **Expenses** | | |
| Claims costs incurred | | |
| Short-term disability | **31,890** | 32,002 |
| Long-term disability | **61,980** | 63,689 |
| Survivor benefits | **5,581** | 5,890 |
| Health care | **36,998** | 33,498 |
| Rehabilitation | **1,692** | 1,787 |
| | **138,141** | 136,866 |
| Administration (Note 12) | **21,183** | 20,128 |
| Legislated obligations (Note 13) | **5,589** | 5,106 |
| Amortization | **2,421** | 2,680 |
| Other (Note 14) | **952** | 2,210 |
| | **168,286** | 166,990 |
| Surplus from operations | **9,487** | 1,028 |
| Actuarial adjustments (Note 8) | **(1,997)** | 16,421 |
| Surplus for the year | **$ 7,490** | $ 17,449 |

*The accompanying notes are an integral part of the financial statements.*

# Statement of Unfunded Liability

Years ended December 31

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Unfunded liability, beginning of year | **$ (178,580)** | $ (200,002) |
| Surplus for the year | **7,490** | 17,449 |
| | **(171,090)** | (182,553) |
| Transfer from Occupational Health and Safety Research reserve (Note 11) | **-** | 4,000 |
| Appropriation to reserve fund | **-** | (27) |
| Unfunded liability, end of year | **$ (171,090)** | $ (178,580) |

*The accompanying notes are an integral part of the financial statements.*

# Statement of Cash Flows

## Years ended December 31

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| **Cash flow from operating activities** | | |
| Cash received from: | | |
| Employers, for assessments | **$ 154,741** | $ 154,738 |
| Investment income | **10,430** | 17,571 |
| | **165,171** | 172,309 |
| Cash paid to: | | |
| Claimants or third parties on their behalf | **(110,169)** | (101,537) |
| Suppliers and employees, for administrative and other goods and services | **(26,590)** | (27,261) |
| Third party, from reserve fund | **(27)** | (27) |
| | **(136,786)** | (128,825) |
| Net cash provided from operating activities | **28,385** | 43,484 |
| **Cash flow from investing activities** | | |
| Purchase of investments | **(25,629)** | (33,077) |
| Purchase of capital assets | **(2,639)** | (2,147) |
| Net cash used for investing activities | **(28,268)** | (35,224) |
| Net increase in cash and cash equivalents | **117** | 8,260 |
| Cash and cash equivalents | | |
| Beginning of year | **25,024** | 16,764 |
| End of year | **$ 25,141** | $ 25,024 |

*The accompanying notes are an integral part of the financial statements.*

# Notes to Financial Statements

## Years ended December 31, 2003 and 2002



### 1. Nature of operations

The Workplace Health, Safety and Compensation Commission (the Commission) was established by the Newfoundland Legislature in 1951, under the *Workplace Health, Safety and Compensation Act (the Act),* as amended in 2001. The Commission is responsible, in accordance with the provisions of *the Act*, for preventing and reducing the occurrence of workplace injuries and diseases through the promotion of health and safety in workplaces; the establishment of occupational health and safety certification standards and certification of trainers; administering the payment of benefits to injured workers and dependents of fatally injured workers; levying and collecting assessment revenues from established classes of employers in amounts sufficient to cover the current and future costs of existing claims; and investing funds, following investment policies which are approved by the Commission within guidelines established under the *Insurance Companies Act* (Canada). An independent Workplace Health, Safety and Compensation Review Division is established under *the Act* to make rulings on any appeals pertaining to the Commission's assessments or benefits decisions. The Commission does not receive government funding or other assistance.

The Commission administers *the Act* for two groups of employers, referred to as assessment-based employers and self-insured employers. Assessment-based employers are insured through 'collective liability' and are required to contribute to the Commission's Insurance Fund, whereas self-insured employers are individually liable. The Commission pays the actual cost of claims for self-insured employers and bills them on a monthly basis for payments related to short-term disability, health care, rehabilitation, extended earnings loss, permanent functional impairment awards and survivor benefits, together with their proportionate share of administration costs.

### 2. Significant accounting policies

These financial statements have been prepared in accordance with generally accepted Canadian accounting principles. The Commission's significant accounting policies are as follows:

***Cash and cash equivalents***

Cash and cash equivalents include cash and short-term investments in money market instruments which will be liquidated in the near term.

***Assessments revenue***

At the beginning of each year, an assessment is levied on employers by applying their industry assessment rate to their estimated payrolls. The assessment levy is payable by installments within the current year. At year-end, assessment income is adjusted based on a review of the employers' actual payrolls.

***Assessments receivable***

Due to varying economic conditions, actual employers' payrolls may differ from original estimates. Therefore, at year-end, a provision for accrued assessments is recorded based on historical assessment information.

***Investments***

**A) Carrying value**

Fixed term investments are recorded using the amortized cost method, which amortizes premiums and discounts arising on fixed term purchases over the periods to maturity of these investments. Gains or losses realized on the disposal of fixed term investments are amortized on a straight-line basis over a five-year period, which approximates the period to maturity.

Equity investments are stated at moving average market value. Unrealized gains and losses occurring during the year, together with gains and losses realized on the disposal of equity investments, are deferred and amortized on a straight-line basis over a five-year period.

**B) Fair value**

Where it is determined that a permanent impairment in the carrying value of the entire investment portfolio has occurred, the carrying value of the portfolio is written down to recognize the loss and the write down is recorded in income in the year in which it occurs. Investments are valued at year-end quoted prices. Short term notes, treasury bills and term deposits approximate fair value due to their short term to maturity.

***Capital assets***

Capital assets are reported at cost and are amortized monthly on a straight-line basis over their estimated useful lives. The periods used are as follows:

| | |
|---|---|
| Building | 40 years |
| Furniture and equipment | 10 years |
| Computer equipment | 1 to 5 years |
| Systems development | 1 to 5 years |
| Equipment under capital lease | 3 to 5 years |

***Benefit liabilities***

The benefit liabilities represent the actuarial present value of all future benefits payments expected to be made for injuries which occurred in the current fiscal year or in any prior year. The benefit liabilities include provision for all benefits provided by current legislation, policies and/or business practices in respect of existing claims. No provision has been made for future claims related to latent occupational disease, because they cannot be reasonably estimated, nor for future processing expenses of existing claims.

The benefit liabilities were determined using accepted actuarial practices in accordance with the standards established by the Canadian Institute of Actuaries.

***Reserves***

In accordance with Section 20.5 (1) of *the Act*, the Commission maintains a special reserve fund for the purpose of health and safety research. *The Act* requires that the Commission allocate up to a maximum of 2% of its total assessment and investment income in each calendar year to establish and maintain this special fund.

In accordance with Section 116 (1) of *the Act*, the Commission may, at its discretion, establish reserves for the following:

- to meet an increase in the capitalization of compensation payments payable in future years where the increase cannot be provided without placing an undue burden on the employers in an industrial classification;
- to meet the loss arising from a disaster or other circumstances which would unfairly burden the employers in an industrial classification; or
- subject to the approval of the Lieutenant-Governor in Council, to meet the costs of particular needs of the Commission that it considers necessary.

***Use of accounting estimates***

**A) Benefits liabilities**

An actuarial valuation of the benefits liabilities as at December 31, 2002 was prepared by an independent firm of consulting actuaries who have rendered their opinion that the valuation was prepared in accordance with accepted actuarial practice, and that the actuarial assumptions are appropriate. The benefit liabilities as at December 31, 2003 are based on an extrapolation of the actuarial valuation completed in 2002 using the same assumptions. The Commission believes that the amount provided for benefits liabilities as at December 31, 2003 is adequate, recognizing that actuarial assumptions as disclosed in Note 9 may change over time to reflect underlying economic trends. When they do, it is possible to cause a material change in the actuarial present value of the future payments.

**B) Assessments revenue**

Accounts receivable at December 31 include an estimate of annual premium revenues for the year that have not yet been received from employers. The recorded amounts are based upon management's best information and judgement, having regard to actual experience in preceding years. However, until all employers actually submit their final annual payroll information to the Commission, the recorded assessments revenues for the year and the estimated amounts receivable at year-end are subject to measurement uncertainty.

## 3. Cash and cash equivalents

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Money market instruments | **$ 22,996** | $ 20,655 |
| Bank balances | **130** | 2,288 |
| Cheques issued and outstanding | **2,015** | $ 2,081 |
| | **$ 25,141** | $ 25,024 |

The Commission has established an operating line of credit with its banker in the amount of $2,000,000. Advances on the line of credit bear interest at the bank's prime interest rate minus 0.60%. The credit facility is unsecured and was not utilized during 2003.

## 4. Receivables

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Assessments | $ 4,841 | $ 4,671 |
| Accrued assessments | 7,000 | 7,000 |
| Other | 2,557 | 2,319 |
| | $ 14,398 | $ 13,990 |

## 5. Investments

| (dollars in thousands) | 2003 | | 2002 | |
|---|---|---|---|---|
| | Carrying Value | Fair Value | Carrying Value | Fair Value |
| Fixed term | $ 164,462 | $ 170,193 | $ 151,166 | $ 157,558 |
| Equities | 279,954 | 307,963 | 263,075 | 242,294 |
| Accrued interest | 1,908 | 1,908 | 1,804 | 1,804 |
| | 446,324 | 480,064 | 416,045 | 401,656 |
| Deferred investment gains | (5,531) | - | (13,077) | - |
| | $ 440,793 | $ 480,064 | $ 402,968 | $ 401,656 |

At December 31, 2002, $15,000,000 of short-term money market instruments, the proceeds of which were transferred in January, 2003, were classified as investments.

Investment income is comprised of the following:

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Interest and dividends | $ 12,964 | $ 11,744 |
| Amortization of deferred realized investment gains | 6,181 | 8,574 |
| Amortization of deferred unrealized investment gains (losses) | 5,319 | (7,083) |
| Amortization of (premium) discounts on fixed term investments | (274) | 305 |
| | 24,190 | 13,540 |
| Less: Portfolio management expenses | (1,567) | (1,491) |
| Total investment income | $ 22,623 | $ 12,049 |

The Commission's asset mix policy for 2003 and 2002 is presented below:

| | |
|---|---|
| Bonds Canadian | 35% |
| Equities Canadian | 35% |
| Equities United States | 15% |
| Equities Europe, Asia and Far East (EAFE) | 15% |

## 6. Financial instruments

***Market risk management***

The Commission invests in publicly and privately traded equities and bonds available on domestic and foreign exchanges. These securities are affected by market changes and fluctuations. The Commission does not use derivative financial instruments for trading purposes.

***Credit risk management***

Credit exposure on fixed income securities arises from the possibility that the issuer of an instrument fails to meet its obligation to make interest payments and repay principal. Of the fixed income assets in the investment portfolio, 95.3% (2002; 97.5%) have at least an 'A' credit rating. The Commission does not anticipate that any issuers will fail to meet their obligations.

The Commission may invest in short term commercial debt or paper rated R1 or higher. Provincial short-term debt and debt of agencies guaranteed by the provinces may be rated lower than R1. The short term portfolio investments held with any one corporate issuer is limited to 10%, at any given time, of the Commission's estimated annual cash receipts.

***Foreign exchange risk management***

The Commission has certain investments denominated in foreign currencies. During 2003 and 2002, the Commission did not undertake hedging strategies for the currency risk of foreign investments and currency fluctuations influenced short-term returns. These fluctuations are not expected to affect the long-term position of the investment portfolio. The Commission limits its holdings in foreign equities to 30% of the Commission's total investment portfolio. As at December 31, 2003, the Commission's holdings in foreign equities and pooled equity funds had a market value of $136.2 million (2002; $97.1 million) representing 28.4% (2002; 25.1%) of the market value of the total investment portfolio.

***Interest rate risk management***

Fluctuations in interest rates are managed by actively controlling the duration of the fixed income portfolio. The table below represents the remaining term to maturity of the Commission's fixed term investments.

**Remaining Term to Maturity**

| Book Value (dollars in thousands) | Within 1 Year | Over 1 Year to 5 Years | Over 5 Years | Total 2003 | Total 2002 |
|---|---|---|---|---|---|
| Fixed-Term investments | $ 9,462 | $ 60,295 | $ 94,705 | $ 164,462 | $ 151,166 |

## 7. Capital assets

| (dollars in thousands) | 2003 | | | 2002 |
|---|---|---|---|---|
| | Cost | Accumulated Amortization | Net Book Value | Net Book Value |
| Land | $ 11 | $ - | $ 11 | $ 11 |
| Building | 7,595 | 3,906 | 3,689 | 3,867 |
| Furniture and equipment | 2,616 | 1,840 | 776 | 854 |
| Computer equipment | 6,668 | 4,877 | 1,791 | 1,131 |
| Systems development | 10,634 | 6,992 | 3,642 | 3,619 |
| Equipment under capital lease | 243 | 210 | 33 | 246 |
| | $ 27,767 | $ 17,825 | $ 9,942 | $ 9,728 |

Included in system development costs for 2003 is $1,220,500 (2002: $1,149,800) related to business improvement projects.

## 8. Benefit liabilities and claims costs

An independent consulting actuary completes a valuation of benefit liabilities of the Commission on a periodic basis, not to exceed two years. Such a valuation was performed as at December 31, 2002.

An analysis of the components of, and changes in, benefit liabilities is as follows:

| (dollars in thousands) | 2003 | | | | | | 2002 |
|---|---|---|---|---|---|---|---|
| | Short-Term Disability | Long-Term Disability | Survivor Benefits | Health Care | Rehabilit-ation | Total | Total |
| Balance, Beginning of year | $ 52,666 | $ 396,525 | $ 54,818 | $ 112,406 | $ 4,410 | $ 620,825 | $ 601,917 |
| Add: | | | | | | | |
| Claims costs incurred: | | | | | | | |
| Current year injuries | 28,237 | 31,744 | 1,431 | 27,728 | 1,416 | 90,556 | 88,307 |
| Prior years' injuries | 3,653 | 30,236 | 4,150 | 9,270 | 276 | 47,585 | 48,559 |
| | 31,890 | 61,980 | 5,581 | 36,998 | 1,692 | 138,141 | 136,866 |
| Deduct: | | | | | | | |
| Claims payments: | | | | | | | |
| Current year injuries | 8,452 | 374 | 127 | 7,248 | 14 | 16,215 | 15,669 |
| Prior years' injuries | 18,942 | 40,904 | 6,421 | 25,707 | 1,980 | 93,954 | 85,868 |
| | 27,394 | 41,278 | 6,548 | 32,955 | 1,994 | 110,169 | 101,537 |
| Balance before actuarial adjustments | 57,162 | 417,227 | 53,851 | 116,449 | 4,108 | 648,797 | 637,246 |
| Actuarial adjustments | (2,988) | (938) | 1,346 | 4,264 | 313 | 1,997 | (16,421) |
| Balance, end of year | $ 54,174 | $ 416,289 | $ 55,197 | $ 120,713 | $ 4,421 | $ 650,794 | $ 620,825 |

## 9. Actuarial assumptions

The benefit liabilities are based on projections of future benefit payments which reflect long-term estimates of economic and actuarial assumptions and methods, modified for current trends. As these assumptions may change over time, it is possible that such changes could cause a material change in the actuarial present value of future benefit liabilities.

The gross rate of return was reduced from 7.64% to 7.12% as at December 31, 2002 to reflect the interest rate environment in 2002. The effect of this change was to increase the overall benefit liability by $11,327,000 as at December 31, 2002.

The table below lists the principal economic assumptions used.

| | 2003 | | 2002 | |
|---|---|---|---|---|
| | CPI-Indexed Awards | Other Payments | CPI-Indexed Awards | Other Payments |
| Gross rate of return | 7.12% | 7.12% | 7.12% | 7.12% |
| Inflation Year 1 | 3.40% | 3.50% | 1.70% | 3.50% |
| Inflation rate future years | 3.50% | 3.50% | 3.50% | 3.50% |
| Net rate of return Year 1 | 3.60% | 3.50% | 5.33% | 3.50% |
| Net rate of return future years | 3.50% | 3.50% | 3.50% | 3.50% |

## 10. Change in unfunded liability

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Unfunded liability, beginning of year | **$ (178,580)** | $ (200,002) |
| Favourable revenue variance | **28,100** | 32,300 |
| Interest on unfunded liability | **(12,700)** | (15,300) |
| Investment income variance | **(5,800)** | (15,600) |
| Liability adjustments for prior years' claims | **(2,000)** | 16,400 |
| Transfer from reserves | **-** | 4,000 |
| Other | **(110)** | (378) |
| Unfunded liability, end of year | **$ (171,090)** | $ (178,580) |

## 11. Reserves

As provided by legislation, the Commission maintains a reserve for funding studies, projects and research relating to the enhancement of occupational health and safety in the workplace. During 2003, $27,000 (2002: $27,000) was issued from the reserve. Effective December 31, 2002, $4,000,000 was transferred from the Occupational Health and Safety Research reserve and applied to the unfunded liability thereby reducing the reserve to $1,000,000.

## 12. Administration expenses

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Salaries and employee benefits | $17,003 | $15,974 |
| Office and communications | 2,235 | 2,394 |
| Building operations | 597 | 536 |
| Travel and vehicle operating | 674 | 634 |
| Professional fees | 674 | 590 |
| | $21,183 | $20,128 |

## 13. Legislated obligations

The Commission is required by legislation to reimburse the provincial government for a portion of the operating costs of the Department of Labour in delivering on its occupational health and safety mandate and all of the costs of the Workplace Health, Safety and Compensation Review Division. The Commission is also required to fund the operating costs of the employer and worker advisor positions. Total expenses incurred by the Commission for legislated obligations are detailed below:

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Department of Labour | $4,527 | $3,888 |
| Workplace Health, Safety and Compensation Review Division | 662 | 818 |
| Employer and Worker Advisors | 400 | 400 |
| | $5,589 | $5,106 |

## 14. Other expenses

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| External training initiatives | $388 | $1,867 |
| Business improvement projects | 564 | 343 |
| | $952 | $2,210 |

## 15. Related party transactions

These financial statements include amounts resulting from normal operating transactions with various provincial government departments, agencies, and crown corporations with which the Commission may be considered related. The provincial government is also a self-insured employer, and account balances resulting from these transactions are included in the financial statements and are settled under normal trade terms.

## 16. Industry levy

The Commission has levied a surcharge of $0.10 per $100 of payroll on employers in the construction sector to fund a portion of the operating costs of safety and health training programs conducted by the Newfoundland and Labrador Construction Safety Association. The amounts collected on behalf of the Association totaled $297,000 in 2003 (2002; $312,000) and are not included in the Statement of Operations.

## 17. Self-insured employers

These financial statements include the effects of transactions carried out for self-insured employers, principally federal and provincial government bodies, who directly bear the costs of their own incurred claims and a share of administration costs. Aggregate amounts of such assessment revenue and offsetting expenses included in the Statement of Operations are as follows:

| (dollars in thousands) | 2003 | 2002 |
|---|---|---|
| Assessments revenue | **$8,519** | $7,119 |
| Claims costs incurred: | | |
| Short-term disability | **503** | 665 |
| Long-term disability | **3,319** | 2,684 |
| Survivor benefits | **476** | 463 |
| Health care | **2,703** | 2,265 |
| Rehabilitation | **18** | 65 |
| Administration charges | **1,500** | 977 |
| | **$8,519** | $7,119 |

Benefit liabilities related to self-insured employers will be the responsibility of those employers when paid in future years. Accordingly, these benefit liabilities have not been determined by actuarial valuation and thus are not included in the Commission's benefit liabilities.

## 18. Pension costs

All permanent employees of the Commission are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland and Labrador. Contributions to the plan are required from both the employees and the Commission. The annual contributions of $1,045,000 (2002; $854,000) for pensions are recognized in the accounts on a current basis.

## 19. Commitments

The Commission has committed to the following lease payments for office premises and equipment as follows:

| (dollars in thousands) | Capital | Operating | Total |
|---|---|---|---|
| 2004 | $36 | $ 167 | $ 203 |
| 2005 | - | 167 | 167 |
| 2006 | - | 166 | 166 |
| 2007 | - | 162 | 162 |

## 20. Contingencies

(a) The Commission may be liable for the future costs of claims relating to certain latent occupational diseases which may have occurred in the current year or previously, but which may not be recognized and reported for a number of years due to the extended latency period of such diseases. Because of the absence of reliable evidence and data pertaining to these matters, the liabilities cannot be reasonably estimated and have not been recorded in these financial statements.

(b) The legislative amendments to *the Act* on May 24, 2001 provided for payments to surviving dependent spouses whose benefits were terminated on or after April 17, 1985. In July, 2001, three complaints were filed by dependent spouses who remarried before April 17, 1985 against the Commission and the Department of Labour to the Human Rights Commission for alleged discrimination on the basis of marital status. These complaints were reviewed during a hearing of the Human Rights Commission in February, 2003. Retroactive reinstatement of benefits to all surviving spouses who remarried prior to 1985 has the potential to increase the Commission's benefits liabilities by approximately $6,600,000. The Human Rights Commission adjudicator ruled that she did not have jurisdiction to decide the matter. The issue of jurisdiction went to Supreme Court Trial Division in November 2003 and a decision has not been rendered. The final outcome of this matter is still undeterminable.

## 21. Comparative figures

Certain of the comparative information has been reclassified to conform with the presentation adopted in the current year.

# Five-Year History

## Statement of Operations and Unfunded Liability for the Year Ending December 31

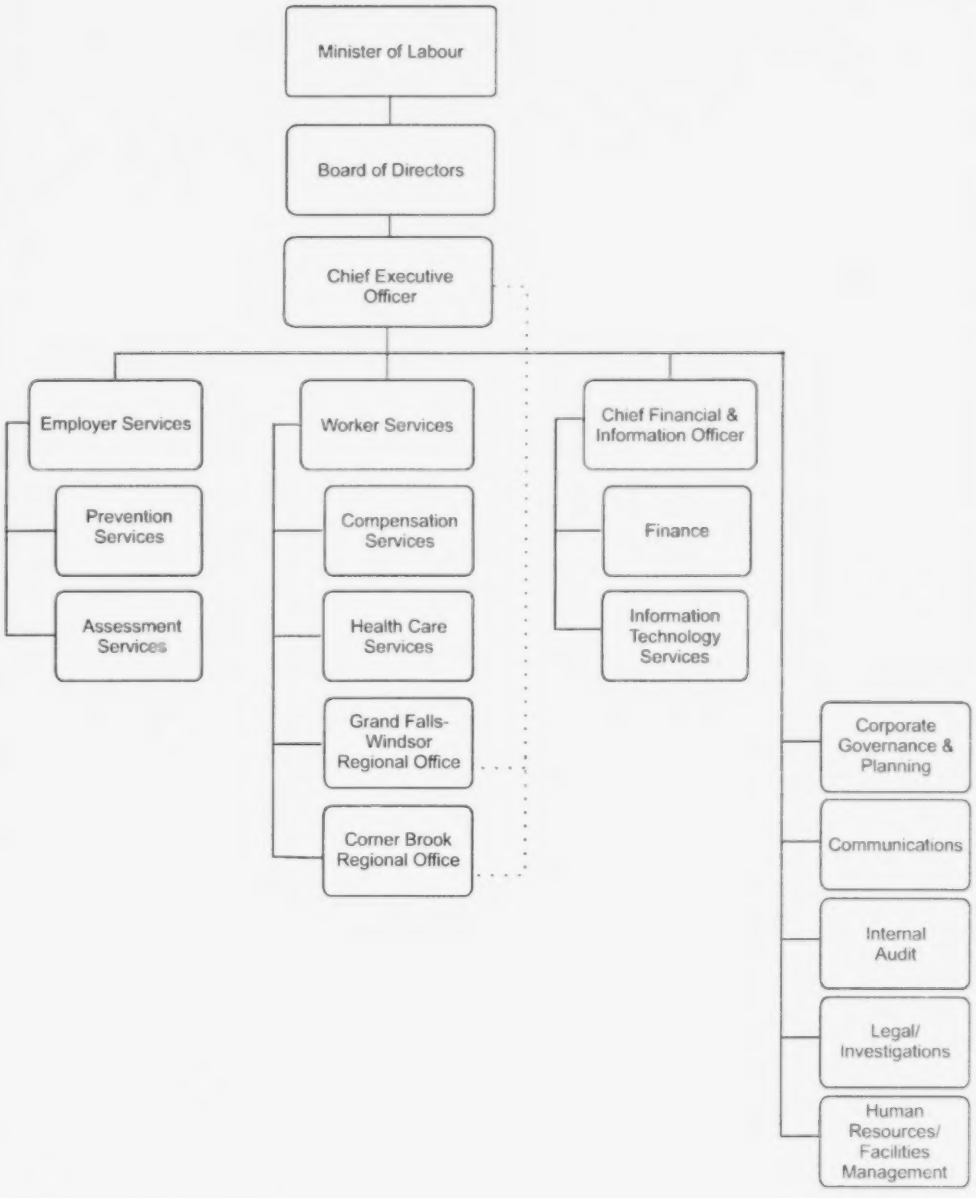
| (thousands of dollars) | 2003 | 2002 | 2001 | 2000 | 1999 |
|---|---|---|---|---|---|
| Revenue | | | | | |
| Assessments | **$ 155,150** | $ 155,969 | $ 137,528 | $ 134,443 | $ 117,004 |
| Investment income | **22,623** | 12,049 | 29,226 | 32,018 | 27,990 |
| | **177,773** | 168,018 | 166,754 | 166,461 | 144,994 |
| Expenses | | | | | |
| Claims costs incurred | **138,141** | 136,866 | 142,448 | 144,841 | 131,896 |
| Administration | **21,183** | 20,128 | 18,252 | 15,710 | 15,436 |
| Legislated obligations | **5,589** | 5,106 | 4,629 | 4,515 | 4,327 |
| Amortization | **2,421** | 2,680 | 2,724 | 2,432 | 2,410 |
| Other | **952** | 2,210 | 1,121 | 213 | - |
| | **168,286** | 166,990 | 169,174 | 167,711 | 154,069 |
| Surplus (deficiency) from operations before the following | **9,487** | 1,028 | (2,420) | (1,250) | (9,075) |
| Actuarial adjustments | **(1,997)** | 16,421 | (5,283) | (20,902) | (59,367) |
| Surplus (deficiency) for the year | **7,490** | 17,449 | (7,703) | (22,152) | (68,442) |
| Unfunded liability, beginning of year | **(178,580)** | (200,002) | (202,272) | (179,884) | (111,100) |
| Appropriation to (from) reserve fund | **-** | 3,973 | 9,973 | (236) | (342) |
| Unfunded liability, end of year | **$ (171,090)** | $ (178,580) | $ (200,002) | $ (202,272) | $ (179,884) |
| Funded ratio | **74.1%** | 71.7% | 67.5% | 65.2% | 65.5% |

ORGANIZATIONAL CHART

Workplace Health, Safety and Compensation Commission

# Organizational Chart

at December 31, 2003



# Year at a Glance

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| **Incidence Rate**[1] | **2.4** | 2.6* | 2.9 |
| **Short-Term Disability (STD) Total Claims**[2] | **5,213** | 5,499 | 6,132 |
| **Soft-Tissue Injuries as % of STD Claims** | **59%** | 56% | 61% |
| **Health Care Only Claims**[2] | **3,779** | 4,486 | 5,032 |
| **Accepted Fatality Claims**[3] | **23** | 23 | 26 |
| Accidents Resulting in Fatality | 9 | 10 | 14 |
| Industrial Disease | 14 | 13 | 12 |
| **Average Short-Term Claims Duration** (days) | **105** | 107 | 116 |
| **Average Assessment Rate**[4] | **$ 3.24** | $3.24 | $3.24 |
| **Required Assessment Rate**[4] | **$ 3.33** | $3.45 | $3.98 |
| **Registered Employer Accounts** | **15,209** | 14,815 | 14,741 |
| **Employer Assessments** ($ million) | **$ 155.1** | $156.0 | $137.4 |
| **Claims Costs** ($ million)[5] | **$ 138.1** | $136.9 | $142.4 |
| **Unfunded Liability** ($ million) | **$ 171.1** | $178.6 | $200.0 |
| **Funded Ratio** | **74.1%** | 71.7% | 67.5% |

1. Number of lost-time claims per 100 workers employed.
   * 2002 incidence rate previously reported as 2.7 (rounding)
2. The number of new claims reported and accepted for payment up to March 31 of the following calendar year. Health care only claims do not involve lost-time from work.
3. Accepted Fatality Claims are the number of fatalities that were accepted for payment in 2003.
4. Average Assessment Rate is the rate actually charged per $100 of payroll. Required Assessment Rate is the rate needed to fully cover all costs for a given year.
5. Claims costs includes current year payments for accepted claims, as well as an estimate of the future cost of new lost time claims.

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## Workplace Health, Safety and Compensation Commission Offices


**St. John's**
146-148 Forest Road
P.O. Box 9000
St. John's, NL
A1A 3B8

Phone (709) 778-1000
Fax (709) 738-1714
Toll Free 1-800-563-9000

**Grand Falls-Windsor**
26 High Street
P.O. Box 850
Grand Falls-Windsor, NL
A2A 2P7

Phone (709) 489-1600
Fax (709) 489-1616
Toll Free 1-800-563-3448

**Corner Brook**
Suite 201, Fortis Towers
4 Herald Avenue
P.O. Box 474
Corner Brook, NL
A2H 6E6

Phone (709) 637-2700
Fax (709) 639-1018
Toll Free 1-800-563-2772

**Web Site**
www.whscc.nf.ca


WORKPLACE HEALTH, SAFETY & COMPENSATION COMMISSION
WHSCC
*Newfoundland and Labrador*